

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 819 - HB 1209

March 24, 2011

SUMMARY OF BILL: Authorizes children under the age of 24 whose parent is a retired teacher with a minimum of 25 years of service to receive a 25 percent tuition discount at any state-operated higher education institution.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$294,600/FY11-12
\$315,000/FY12-13
Exceeds \$315,000/FY13-14 and Subsequent Years**

Assumptions:

- Lost revenues to higher education institutions will be replaced with state funds rather than higher tuition and fees.
- Only retired teachers under the age of 59 will have dependents eligible to participate in the program. According to the Tennessee Consolidated Retirement System's 2010 annual report, there are 4,014 retired teachers under the age of 59. Of those, 68 percent (2,730) have at least 25 years of service.
- There are approximately 70,000 active certified public school teachers. According to the Tennessee Board of Regents, 7,549 discounts were given to dependents of these teachers in FY09-10. This is one discount for every 9.3 teachers.
- Each year, 294 new students will receive tuition waivers at TBR schools (2,730/9.3).
- TBR assumes a seven percent average increase in the tuition discount each year. The tuition waiver at TBR schools for FY09-10 was \$509. With seven percent growth, the FY10-11 tuition waiver is \$545. In FY11-12, it will be \$583 and will be \$624 in FY12-13.
- The increase in state expenditures for TBR in FY11-12 will be \$171,402 (\$583 x 294).
- The increase in state expenditures for TBR in FY12-13 will be \$183,162 (\$623 x 294).
- According to the University of Tennessee (UT), 4,019 tuition discounts were given to dependents of active teachers (70,000) in FY09-10. That is one discount for every 17.4 teachers.
- 157 (2,730/17.4) new students will receive the tuition discount at UT schools each year.
- According to UT, the average tuition discount in FY09-10 was \$673 and grew 9 percent in FY10-11 to \$734. Assume an average increase of seven percent. The tuition discount will be \$785 in FY11-12 and will be \$840 in FY12-13.
- The increase in state expenditures for UT in FY11-12 will be \$123,245 (\$785 x 157).

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- The increase in state expenditures for UT in FY12-13 will be \$131,880 ($\840×157).
- Total increase in state expenditures in FY11-12 will be \$294,647 ($\$171,402 + \$123,245$).
- Total increase in state expenditures in FY12-13 will be \$315,042 ($\$183,162 + \$131,880$).
- The average tuition discount will grow approximately seven percent each year, resulting in an increase in state expenditures exceeding \$315,000 in FY13-14 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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